

The complaint

Ms H complains that NewDay Ltd trading as Marbles was irresponsible in its lending to her. She wants all interest, fees and charges refunded along with statutory interest and any adverse information removed from her credit file.

What happened

Ms H was provided with a Marbles credit card account in May 2016. She said that NewDay shouldn't have increased her credit limit in October 2016. She said she exceeded her credit limit within three months of opening the account and then exceeded her new credit limit. She said that NewDay then increased her credit limit twice in 2017 and again in 2018 and she used all the credit provided and was only paying around the minimum amount each month. Ms H thought that NewDay should have realised that she wouldn't be able to repay her outstanding balance within a reasonable timeframe and shouldn't have kept lending her more money. She said that had adequate checks taken place before her credit limit was increased, NewDay would have seen she had missed payments on her other accounts and was increasing her indebtedness.

Ms H said that the credit NewDay provided to her put her in financial hardship as she struggled to meet her repayments and then had to borrow more to pay for essentials. She said she then stopped making payments as she couldn't afford them, and her debt was passed to a debt company and legal action was threatened causing her a great deal of stress and anxiety.

NewDay issued a final response letter dated 15 February 2024. It said that before lending to Ms H it considered the information she provided in her application alongside data from the credit reference agencies, her account behaviour and other information available to it. It said when Ms H applied for a Marbles credit card in May 2016, she said she had an annual income of £14,642 and unsecured debt of £900. It carried out a credit check which showed Ms H had three defaults with the most recent occurring 40 months prior to the application. It said she had no adverse public records, payday loans or accounts in arrears. Based on this it provided Ms H with an account with an initial credit limit of £250.

NewDay said it regularly reviewed accounts and Ms H's credit limit was raised on four occasions. It said an in-depth analysis had been carried out for each credit limit increase considering Ms H's account behaviour and credit data. It said that it was satisfied that the credit limit increases were applied correctly and adequate checks were undertaken to ensure they were affordable.

Ms H referred her complaint to this service.

Our investigator thought that NewDay carried out proportionate checks before the account was opened and as these didn't suggest the initial credit limit to be unaffordable, she didn't think it had done anything wrong by providing the account and initial £250 credit limit to Ms H.

Our investigator considered the credit limit increases and found the checks carried out

before these were applied were reasonable. As she didn't find the results of the checks raised concerns about the affordability of the credit limit increases, she didn't uphold this complaint.

Ms H didn't agree with our investigator's view. She said that in order to assess whether the lending was affordable, NewDay should have considered her ability to repay the whole balance within a reasonable timeframe, not just to make the minimum repayments. She said that she wasn't ever asked to provide evidence of her income or living expenses. Ms H explained that while she made payments towards her account, she would then spend again leaving only enough of the limit remaining to allow the interest to be added. She said that NewDay should have seen from her account behaviour that she couldn't repay the balance in a timely manner and that increasing her credit limit caused her financial harm.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Account opening May 2016

Ms H applied for a Marbles credit card in May 2016. As part of the application process, NewDay gathered information about Ms H's income and residential status and carried out a credit search. Ms H declared an annual income of £14,642 and that she was a tenant. A credit search was undertaken which showed Ms H had three historic defaults (most recent being 40 months before the application) and the total amount outstanding on the defaulted accounts was £900. The credit search showed Ms H had no adverse public records and no recent payday loans or missed payments.

As the credit limit offered on account opening was £250, I find the checks carried out were reasonable. I note Ms H's comment that her income wasn't verified but given the size of the lending and the information Ms H provided, I think it was reasonable that NewDay relied on her declared income. Ms H's credit check didn't show any recent issues managing her accounts or suggest that Ms H was already over indebted. Therefore, I do not find that further checks were required.

As the results of NewDay's checks didn't raise concerns about the affordability of the account with a £250 credit limit, I do not find I can say that NewDay was wrong to provide this to Ms H.

Credit limit increases

The credit limit on Ms H's account was increased on four occasions. Before the increases were applied, NewDay had access to information about Ms H's account management and data from the credit reference agencies about Ms H's external debts. I think it reasonable that it relied on this information when making an assessment about the additional lending.

Therefore, I have looked through the evidence to consider whether the lending decisions were responsible.

Credit limit increase 1: October 2016

Ms H's credit limit was increased from £250 to £650 in October 2016. In the months since the account was opened up to the credit limit increase, Ms H had exceeded her credit limit once. An overlimit charge was applied which was reversed the following month which could suggest this was discussed and agreed to be removed. Ms H made payments above the minimum required and while I note her comment about her then spending further on the credit card, I find that she was able to manage her payments in line with the account terms. The credit reference agency data showed Ms H to have around £300 in outstanding balances. Based on Ms H's account management, the other information available, and noting the amount of credit to be provided, I do not find I can say NewDay did anything wrong by providing the first credit limit increase.

Credit limit increase 2: February 2017

Ms H's credit limit was increased from £650 to £1,300 in February 2017. In the months between the first and second credit limit increases, Ms H had been generally managing her account well. She did exceed the credit limit in November 2016 and was charged an overlimit fee, but this was refunded the next month. Ms H was making monthly payments above the minimum amount required. Therefore, I do not find that Ms H's account management raised concerns that meant the second credit limit shouldn't have been applied.

The data from the credit reference agencies showed that Ms H's total outstanding debts had increased from around £300 to around £2,000. While this could have showed that Ms H was increasing her reliance on borrowing, I do not think it was enough at this stage to say that additional lending shouldn't be provided. There was no adverse information recorded in the credit data to suggest that Ms H was struggling to manage her credit commitments and Ms H hadn't taken out any cash advances or made any late payments which could indicate financial difficulties. Taking into account the amount that would need to be repaid each month based on the new credit limit, I do not find I can say NewDay acted irresponsibly by providing this increase.

Credit limit increase 3: June 2017

Ms H's credit limit was increased from £1,300 to £1,550 in June 2017. The new limit was over six times the size of the credit limit initially provided less than two years earlier. However, Ms H was managing her account in line with the account terms and no over limit, cash advance or late fees were applied in the months leading up to the credit limit increase.

Ms H's total outstanding debts had increased to around £2,700. While I do not find that this meant further credit shouldn't be provided, I have considered the amount of debt in regard to Ms H's outgoings. However, taking into consideration the monthly payments noted in the credit data for her other commitments, and noting that Ms H was making monthly payments above the minimum amount required on her credit card, I do not find I have enough to say the evidence suggested that the new credit limit of £1,550 would be unaffordable. Ms H's credit data didn't raise concerns about how she was managing her commitments, and her account management wasn't showing signs of financial difficulty, so I do not find I can say NewDay was wrong to provide this credit limit increase.

Credit limit increase 4: June 2018

Ms H's credit limit was increased from £1,550 to £2,350 in June 2018. This was the final credit limit increase and would result in monthly repayments of around £118 (based on 5% of the full credit limit). There was a year between the third and fourth credit limit increases and in that time Ms H had managed her account well. She had incurred no overlimit or late fees and hadn't taken out any cash advances. Her monthly repayments were above the minimum amounts required. So, while I have noted Ms H's comment about how she was using the credit card, I do not find that her account management meant that further credit shouldn't have been provided or suggested that she was struggling financially.

The credit reference agency data for the months leading up to the fourth credit limit increase showed Ms H's revolving credit balance as remaining reasonably stable and her non revolving credit balance was reducing. Ms H's number of active accounts had remained stable at five and there was no adverse data recorded about how she was managing her commitments. So, taking everything into account, including the amount the minimum repayments would be under the new increased credit limit, I do not find I have enough to say that NewDay was wrong to provide the additional lending.

I understand Ms H's comment about assessing her ability to repay the outstanding balance on the credit card within a reasonable period of time, but noting the repayments she was making I do not find that I can say these raised concerns about her only affording the minimum repayment due. While I can see she did keep spending on the credit card after making repayments, as she was operating the credit card within the account terms and the information available didn't show signs that she was struggling financially, I do not find I can say this lending was irresponsible. I am sorry to hear of the stress and anxiety Ms H has been caused particularly since her account was passed to a debt recovery company but in this case, taking into account the information available at the time the lending decisions were made, I do not find I can uphold this complaint.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Ms H has complained about, including whether its relationship with Ms H might have been unfair under Section 140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think NewDay lent irresponsibly to Ms H or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 2 January 2025.

Jane Archer
Ombudsman